

Portfolio Breakdown

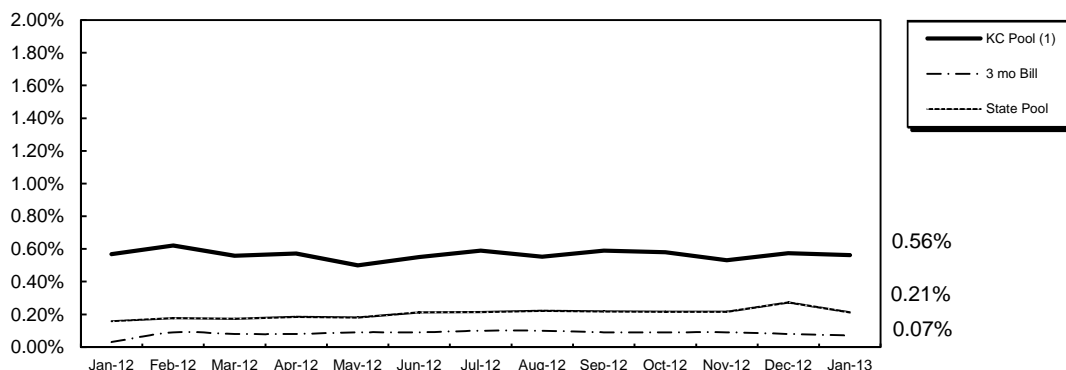
The following is a breakdown of the Investment Pool holdings for January 2013

	Average (\$000)	% of Portfolio
U.S. Agency Securities	1,958,780	43.3%
Commercial Paper	-	0.0%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	15,815	0.3%
Repurchase Agreements	74,839	1.7%
Treasury Securities	1,673,033	37.0%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool	796,073	17.6%
Reverse Repurchase Agreements	-	0.0%
Total	\$4,518,540	100%

*Average Pool Effective Duration: 1.44 Years

*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

Investment Pool Performance (before Pool fees)



(1) King County pool distribution rate has not been adjusted for realized losses (or recoveries) from impaired commercial paper investments.

Pool Net Asset Fair Value on January 31, 2013

Net Assets ⁽²⁾	\$4,415,068,904.99
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$4,404,257,339.34
Undistributed and unrealized gains(losses)	\$10,811,565.65
Net Assets	\$4,415,068,904.99
Net asset value at fair value price per share (\$4,415,068,904.99 divided by \$4,404,257,339.34 units)	\$1.0025

(2) Excludes impaired assets that have been separated into a separate pool.

Investment Pool Comments: The pool's asset allocation changed very little between December and January. The pool continued to be heavily invested in U.S. Agency and Treasury securities, with 80% of the pool invested in securities related to the U.S. Government. The remaining balance in the pool was invested in repurchase agreements and the State's Local Government Investment Pool (LGIP), which also have large exposures to U.S. Government securities. The pool's balance decreased from the last report, but this is consistent with the normal seasonal pattern.

January's yield decreased by 1 basis point from December, which brought the monthly yield to 0.56%, and the pool's duration increased from 1.36 years at the end of December to 1.44 years at the end of January. A longer duration should help stabilize the pool's yield, as we expect rates will continue to remain low because of uncertainty surrounding U.S. fiscal issues and the negative drag on the economy that might result if all the automatic spending cuts go into place. The economic issues facing the euro zone have not been resolved either, so given these circumstances combined with the high unemployment rate in the U.S and weak global growth, we believe a longer duration for the pool is prudent.

We are continuing to invest the pool's assets in securities that have the support of the Federal government. We also continue to consult regularly with our investment consultant, PFM, and they concur with our current strategy. King County also remains committed to sharing information with pool members about investment holdings. Please call the Treasury Operations number at 206-296-7326 if you have any questions.

Impaired Pool Holdings Report 1/31/2013

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
Mainsail II (1)	Restructured	1,007,642.19	405,000.00	602,642.19
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.88
VFNC Trust/Victoria Finance (2)	Restructured	19,630,573.84	9,825,330.00	9,805,243.84
Total		23,311,027.05	11,872,680.00	11,438,347.05

Fair Value Ratio	0.5093
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance's restructuring was completed during September 2009. The name of the restructured entity is VFNC Trust, and the new entity will continue to make monthly principal and interest payments. The *Estimated Fair Value* amount is based on a market price from a single dealer and the county expects to recover more than this "liquidation" price by receiving regular monthly payments over the coming years.

Impaired Pool Comments:

The majority of the amount remaining in the impaired pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. The monthly distribution for January totaled \$290,608.32. Including all receipts to date brings the cash recovery rate on the original Victoria investment to 63%. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, and we expect the monthly distributions to continue for at least 5 years.

We do not foresee distributing any realized losses until it is apparent that no further cash flows will be forthcoming. The market for this type of asset is illiquid and accurate pricing is difficult to obtain. Adding the cash recoveries through January to the month-end dealer price (47) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 81.5%, but the actual recovery rate will depend on the size and duration of the future monthly cash distributions from VFNC Trust. At the time of Victoria's restructuring the County's financial advisory estimated that by participating in the exchange offer that the overall recovery rate could be between 50 to 76 percent, and potentially higher.

The County is a plaintiff in two lawsuits that seek the recovery of damages associated with Cheyne Finance and Rhinebridge. The County is being represented by Robbins Geller Rudman & Dowd LLP, a San Diego based securities litigation firm. The law firm is working on a contingency fee basis which means fees and costs associated with the lawsuit are based on settlements or recoveries achieved. These cases are expected to go to trial in mid or late 2013.

The King County Executive Finance Committee approved bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct pool from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

Within the impaired pool, future "tail" payments from Cheyne, Rhinebridge and Mainsail are still possible. When we determine that no further payments are probable, any remaining unrealized losses will be distributed.